

Message Text

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11

ACTION NEA-12

INFO OCT-01 ARA-11 EUR-25 ADP-00 EB-11 COME-00 INT-08

TRSE-00 OPIC-12 SCEM-02 OMB-01 PM-09 NSC-10 SS-15

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R 051242 Z APR 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1724

INFO AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L TEHRAN 2145

E. O. 11652: GDS

TAGS: ENGR, IR

SUBJ: PETROLEUM: GOI/ CONSORTIUM NEGOTIATIONS

REF: TEHRAN 2 075

1. BRAZELL, LEADER AMERICAN COMPANY REPS ON CONSORTIUM EXPERTS NEGOTIATING TEAM BRIEFED EMBASSY APRIL 4 ON SITUATION AT END OF THIS ROUND OF NEGOTIATIONS. SCHEDULE NOW IS CONSORTIUM EXPERTS LEAVING TEHRAN APRIL 5, CHIEF EXECUTIVES CONSORTIUM MEMBERS WILL PROBABLY CONVENE APRIL 16 IN LONDON TO DETERMINE INSTRUCTIONS FOR JAMIESON AND STEELE WHO WILL SEE SHAH IMMEDIATELY THEREAFTER.

2. BRAZELL EXPANDED ON OUTSTANDING ISSUES AND NEGOTIATING DIFFICULTIES REFTEL. HE SAID CONSORTIUM TEAM SOON DISCOVERED THAT IRANIAN SIDE WAS TRYING TO GO BEYOND TERMS OF ST. MORITZ MEMORANDUM OF UNDERSTANDING. THIS BECAME COMPLETELY CLEAR AFTER CONSORTIUM SIDE GAVE UP ANY ATTEMPT TO RETAIN MANAGEMENT CONTROL FOR CONSORTIUM
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IN THE NEW ARRANGEMENTS. THEREAFTER, NEGOTIATIONS CENTERED ON IRANIAN EFFORT TO WITHHOLD AGREEMENT THAT NUMEROUS PROVISIONS OF 1945 AGREEMENT SHOULD BE CARRIED FORWARD UNTIL CONSORTIUM ACCEPTED NIOC POSITION ON FINANCIAL QUESTIONS. NIOC REFUSAL TO AGREE TO RETENTION 1954 AGREEMENT PROVISIONS HAS PERSISTED DESPITE PARA 6 OF MEMORANDUM OF UNDERSTANDING AND REASSURANCES FROM ALAM (TEHRAN 1838 SENT DEPARTMENT AND LONDON ONLY), AND PRIVATELY FROM FALLAH. CONSORTIUM BELIEVES NIOC OFFICIALS ARE ATTEMPTING SCORE POINTS FOR THEMSELVES BY OBTAINING BETTER DEAL THAN THAT PROVIDED IN MEMORANDUM OF UNDERSTANDING. CONSORTIUM TEAM, WHICH EXPECTED THAT MEMORANDUM WOULD INSURE AUTOMATIC CARRY-FORWARD OF MOST IMPORTANT POINTS 1954 AGREEMENT, WAS INITIALLY CAUGHT OFF-GUARD, BUT THEN SETTLED DOWN FOR LONG-DURATION CONTEST WHICH PRODUCED AGREEMENT ON SEVERAL SUBSIDIARY QUESTIONS BUT COULD NOT SETTLE CORE ISSUES, PARTICULARLY FINANCIAL ONES.

3. PROVISIONS OF 1954 AGREEMENT CONSORTIUM WANTS PRESERVED ARE NUMEROUS BUT MOST IMPORTANT GIVE COMMERCIAL AND FINANCIAL PROTECTION TO CONSORTIUM, E. G. NO UNILATERAL CHANGE IN INCOME TAX, NO RESTRICTION ON EXPORT OF OIL CONSORTIUM HAS PURCHASED FROM IRAN. (NOTE- WORTHY THAT UNDER QUOTE MOST FAVORED COMPANY UNQUOTE CLAUSE IN MOST JOINT VENTURE CONTRACTS OTHER FOREIGN OIL COMPANIES IN IRAN ENJOY SAME PROTECTIONS). NIOC POSITION ON MAJOR FINANCIAL QUESTIONS OF COMPENSATION AND OIL PRICING (ON WHICH NO REPORT NO PROGRESS HAS BEEN MADE) IS THAT PARTICIPATION EQUIVALENCY SHOULD BE DETERMINED BY A DIRECT COMPARISON BETWEEN SAUDI AND IRANIAN PAYMENTS AND INCREASES IN OIL INCOME. CONSORTIUM INSISTS THAT FOR SUCH DETERMINATION FORMULAE IN GENERAL PARTICIPATION AGREEMENT SHOULD BE APPLIED TO IRAN FOLLOWING PARA 5 MEMORANDUM OF UNDERSTANDING.

HELMS

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